

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 663 - HB 979

April 6, 2021

SUMMARY OF ORIGINAL BILL: Extends, from 10 to 15 days, the effective date of a commercial risk insurance policy cancellation after notice is mailed by the insurer to the named policyholder.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENTS (005743, 006735): Amendment 005743 deletes all language after the enacting clause. Creates a Franchise and Excise (F&E) tax credit of up to \$60 per employee, for employers who pre-enroll employees in long-term (\$30 credit) or pre-enroll employees in short-term (additional \$30 credit) group disability income protection plans. Defines and creates parameters pertaining to the pre-enrollment and notification requirements of the employer.

Amendment 006735 amends language of the bill as amended by 005743 to clarify that this credit only applies to businesses that are not offering disability income protection policies before the effective date of this legislation.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Decrease State Revenue – Exceeds \$67,500/FY21-22
Exceeds \$101,300/FY22-23
Exceeds \$135,000/FY23-24 and Subsequent Years

Assumptions for the bill as amended:

- Based on information from the Department of Revenue it is estimated that approximately 1,500 employers have issued long- and short-term disability income protection policies.
- Based on information from the Department of Labor and Workforce Development it is estimated that each employer has approximately 20 employees.
- It is estimated that 50 percent of employers offer long term disability and 50 percent offer short term disability policies and will opt to pre-enroll employees, and that about 75 percent of those employees will opt to remain enrolled.
- Furthermore, this will only apply to policies created after the effective date of this legislation. The number of such policies and the employees impacted is unknown. However, it is reasonably assumed that the number of employees for which employers will qualify for the proposed F&E tax credit will be equal to at least 10 percent of the current number of enrolled employees in FY21-22, at least 15 percent in FY22-23, and at least 20 percent in FY23-24 and subsequent years.
- Therefore, the total decrease in state revenue as a result of the F&E credit is estimated to be \$67,500 $[(1,500 \times 50\% \times 20 \times 75\% \times 10\% \times \$30 \text{ long term}) + (1,500 \times 50\% \times 20 \times 75\% \times 10\% \times \$30 \text{ short term})]$ in FY21-22, \$101,250 $[(1,500 \times 50\% \times 20 \times 75\% \times 15\% \times \$30 \text{ long term}) + (1,500 \times 50\% \times 20 \times 75\% \times 15\% \times \$30 \text{ short term})]$ in FY22-23, and \$135,000 $[(1,500 \times 50\% \times 20 \times 75\% \times 20\% \times \$30 \text{ long term}) + (1,500 \times 50\% \times 20 \times 75\% \times 20\% \times \$30 \text{ short term})]$ in FY23-24 and subsequent years.
- This legislation authorizes the tax credit in the first year the employee is enrolled and for two subsequent years following that.
- For purposes of this fiscal note it is assumed that the average amount of tax credits issued will remain constant in FY23-24 and subsequent years as new employees are added and previous employees drop off tax credit eligibility.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Decrease Business Expenditures – Exceeds \$67,500/FY21-22

Exceeds \$101,300/FY22-23

Exceeds \$135,000/FY23-24 and Subsequent Years

Assumption for the bill as amended:

- The expenditures that businesses would be making for short and long-term disability for their employees would be partially offset by the amount of the F&E tax credit, making the total decrease in business expenditures \$67,500 in FY21-22, \$101,250 in FY22-23, and \$135,000 in FY23-24 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The script is cursive and fluid.

Krista Lee Carsner, Executive Director

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